Subcommittee on the State Health Insurance Plan

The subcommittee makes the following observations and conclusions about the State Health Insurance Plan:

The subcommittee met on February 14, 2007 and February 20, 2007 to hear testimony from the Bureau of Personnel regarding the State Health Insurance Plan. The Bureau presented detailed information to the committee on the following topics:

- Self Funded Plan vs. Fully Insured Plan
- Comparison between Provider Network Plan, $1,000 Deductible Plan, and $2000 Deductible Plan
- Partners of the State Health Insurance Plan
- Disease Management Programs (Asthma, Diabetes, Cardiac, Pharmacy, Our Healthy Baby, Gastric Bypass, Obesity, Metabolic Syndrome, Oncology, and Spine and Neck)
- Incentives for Participation and Compliance with Wellness and Disease Management Programs
- Retiree, Cobra, and Dependent Participation in the State Health Insurance Plan
- Actual Health Claims vs. Projected Health Claims
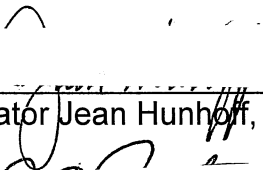- Plan Design Changes Proposed for FY08

The Bureau of Personnel provided the subcommittee with a breakdown of revenues and expenses in order to determine the state's contribution to the State Employee Health Insurance Plan for FY08. This breakdown can be found on Attachment A. The Bureau of Personnel also provided detail of the surrounding state's projected health insurance increases for FY08. The comparison showed that South Dakota had the lowest projected health insurance increase for FY08. The state comparison can be found on Attachment B.

The Bureau of Personnel reported that a Request for Proposal (RFP) has been completed for state health insurance plan partners and the bureau is interviewing the finalists and the selection will be made before April 2007.
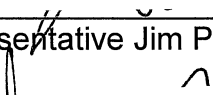
The Bureau of Personnel discussed the additional FTE that the Governor is recommending in the FY08 budget. The FTE will be a benefit analyst that will provide continual statistical data analysis of the state's benefit plans.

The subcommittee requests that the Bureau of Personnel continue to look for new ways to measure the effectiveness of the wellness and disease management programs. The subcommittee also requests that the Bureau of Personnel provide an update of the wellness and disease management programs, completed contracts with health care providers, projected vs. actual claims, and any proposed changes to the State Health Insurance Plan for FY09 to the Interim Appropriations Committee.
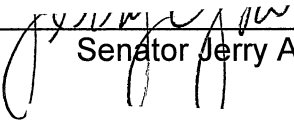
Committee on the State Health Insurance Plan

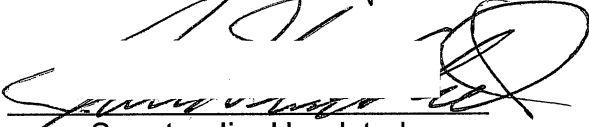Senator Jean Hunhoff, Chair

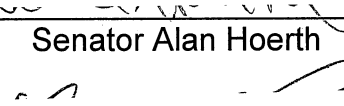Representative Jim Putnam, Vice Chair
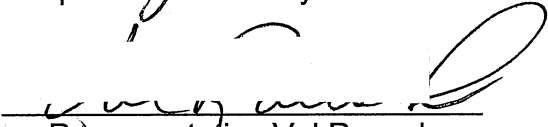
Senator Jerry Apa

Senator Brock Greenfield

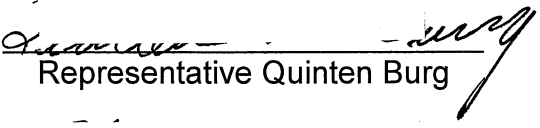Senator Jim Hundstad

Senator Alan Hoerth
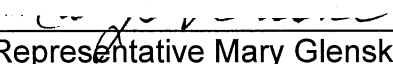
Representative Larry Tidemann

Representative Val Rausch

Representative Jeffrey Haverly

Representative Quinten Burg

Representative Mary Glenski

State Health Insurance Plan

Estimated Revenue- FY08

Contributions to Plan

Employer Paid- State's Contributions	$66,260,225
Premiums for Retirees, Cobras, and Dependents	$17,098,235
Refund of Prior Years Claims	$550,000
Interest Revenue	$500,000
Administrative Fee	$120,659
Total Revenue	**$84,529,119**

Estimated Expenses- FY08

Total Claims (actuarially determined)	$83,163,680
Administration	$6,555,029
Flex Credits	$894,300
Employer Life Claims	$522,750
Total Expenses	**$91,135,759**

Estimated Revenue vs. Expenses

Estimated FY08 Over/(Underrecovery)	($6,606,640)
Plan Design Changes	$2,934,000
Increases for Retiree, Cobra, & Dependent Contributions	$1,127,957
Estimated Over/(Underrecovery) After Plan Design Changes & Employee Contributions	**($2,544,683)**

Acrual Adjustment Because Coverage is Pre-Paid	**($263,040)**
Total FY08 Over/(Underrecovery)	**($2,807,723)**
Governor's FY08 Budget Request for Health Insurance	**$2,807,723**

Surrounding State's FY08 Projected Health Insurance Increases

19

10.0%   22.9%   9.9%

4.2%

21.0%   7.0%   12.1%